

# AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

**AUDITOR/CONTROLLER** • 222 West Hospitality Lane, Fourth Floor  
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830

**RECORDER • COUNTY CLERK** • 222 West Hospitality Lane, First Floor  
San Bernardino, CA 92415-0022 • (909) 387-8306 • Fax (909) 386-8940

**LARRY WALKER**  
Auditor/Controller-Recorder  
County Clerk

**ELIZABETH A. STARBUCK**  
Assistant Auditor/Controller-Recorder  
Assistant County Clerk

**April 19, 2007**

**Sandra Gray, Chairwoman**  
Board of Trustees  
Twentynine Palms Cemetery District  
5350 Encelia Avenue  
Twentynine Palms, CA 92277

**SUBJECT: MANAGEMENT LETTER - TWENTYNINE PALMS CEMETERY  
DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

In compliance with Section 26909 of the California Government Code, we have audited the general purpose financial statements of Twentynine Palms Cemetery District for the fiscal year ended June 30, 2006 and have issued our report thereon dated January 3, 2007. In planning and performing our audit of the financial statements, we considered internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal controls and does not provide assurance on internal controls. However, we noted certain matters involving internal controls and their operation, which are presented for your consideration.

We do not consider the matter to be a reportable condition under the standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We have not considered internal controls since the date of our report.

These comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal controls or result in other operating efficiencies and are summarized as follows:

### **STATUS ON PRIOR RECOMMENDATIONS**

The recommendations contained in the prior audit report, dated June 30, 2006 relating to Findings 2, 3, and 4 were adopted by the District. Our recommendations for further action regarding the recurring prior findings are shown below

#### **Prior Year Finding 1: The District's investments mature beyond five-year limit established by Government Code 53601.**

##### **Current Status**

The District is in the process of working with their investment company to bring their investment portfolio in compliance with Government Code 53601.

##### **Further Recommendations**

Continue to work on bringing the District's investment portfolio into compliance and consider consulting legal counsel to ensure that the District's investments are meeting the requirements of Government Code 53601 and any other statute governing special district investment activities.

##### **Management's Response**

The District agrees with this finding and has already taken steps to bring portfolio into compliance with the requirements of Government Code 53601 and any other statute governing special district investment activities.

### **CURRENT YEAR'S FINDINGS AND RECOMMENDATIONS**

#### **Current Year Finding # 1: The District is not following their retirement policy.**

The District's retirement policy states that the District is to advance a contribution of \$2,000 per employee per fiscal year towards the employee's retirement plan and that the employee is to reimburse the District 1/3 of the annual contribution made by the District via 24 payroll deductions. The District did not pay the annual retirement contribution for two of its three employees. The District did not establish one of the three employee's payroll deductions to reimburse the District 1/3 of their annual retirement contribution.

Since the District did not follow their retirement policy, the employees' IRA retirement accounts did not earn interest from the contribution the District should have made.

**Recommendation**

Follow your retirement policy by making the annual retirement contributions for the two employees that were not made during the fiscal year. Establish one employee's payroll deductions appropriately and collect monies owed back to the District for the period that the payroll deductions were not established.

**Management's Response**

The District agrees with this finding and are making every effort into establishing the correct payroll deductions and collecting monies owed back to the District for the period that the payroll deductions were not established.

**Current Year Finding # 2: A potential conflict of interest exists**

Good business practices require that a family member not approve documents prepared by another family member. The Cemetery Secretary prepares all financial documents and checks and presents them to the Board of Trustees for approval. One of the Trustee's is the Cemetery Secretary's sister. Due to the small size of the District, all Board of Trustee members are authorized to sign and approve all financial documents and checks.

Even though there is no evidence of improper actions, a conflict of interest can create an appearance of wrongdoing that can reduce confidence in the ability of the District to act properly.

**Recommendation**

Cancel the Signature authorization for the Cemetery Secretary's sister and have another Trustee member sign the financial documents and the checks.

**Management's Response**

The Districts agree with this finding and recommendation and have already put new policy in place.

We appreciate the courtesy extended to us during our audit. We wish to thank the management and staff for their full cooperation during the audit.

Sandra Gray, Chairwoman  
Twentynine Palms Cemetery District  
April 19, 2007  
Page 4

Respectfully submitted,

**Larry Walker**  
Auditor/Controller-Recorder

By:

Howard M. Ochi, CPA  
Chief Deputy Auditor

Quarterly copies to:

County Administrative Office  
Board of Supervisors (5)  
Grand Jury (2)

Audit file (3)

Audit Report Distributed: 6-7-07

LDW:HMO:RRB:wds.3